



GNI (UK) Ltd. Response
*to Consultation on Utility Regulator's
Draft Forward Work Programme 2019-2020*

February 2019

1. Introduction

GNI (UK) is the owner and operator of the North-West gas pipeline, which runs from Carrickfergus to the Coolkeeragh power station in Derry and the South-North gas pipeline, which runs from Gormanston, in County Meath, to Ballyclare, Co. Antrim, where it links into the North-West pipeline. GNI (UK) is licensed by the Utility Regulator (UR) to operate these gas transmission pipelines accordingly. GNI (UK) also operates the South-West On-Shore Scotland system (SWSOS), through which the Republic of Ireland, Northern Ireland (NI) and Isle of Man gas supplies are transported on a daily basis.

GNI (UK) welcomes the opportunity to respond to the Consultation by the UR on its Draft Forward Work Programme (FWP) 2019-2020.¹ GNI (UK) previously made a consultation response to UR's Draft Corporate Strategy 2019-2024.² This response to the Draft FWP 2019-2020 aligns with the views reflected in GNI (UK)'s response to the Draft Corporate Strategy.

2. Response to Utility Regulator Draft Forward Work Programme 2019-2020

GNI (UK) notes that the Draft FWP incorporates the following:

1. An overview of the context for developing the business plan;
2. An outline of how UR decided on their business plan projects, core business and resourcing of their work; and
3. A list of UR's proposed business plan projects.

GNI (UK)'s commentary on each area of focus within the Draft FWP is presented in Sections 2.1-2.3.

2.1 Business Plan Context

This Section of the Business Plan outlines eight key areas influencing the development of the Work Programme: 1) Brexit; 2) Competitive Markets; 3) Market and Consumer Outcomes; 4) Supporting Renewables; 5) Security of Supply; 6) Energy Transition; 7) Future Energy and Policy Strategy; and 8) Regulatory Approach. GNI (UK) wishes to provide commentary on several of these areas:

Brexit

GNI (UK) welcomes the recognition at the outset of the Draft FWP that Brexit is a key factor influencing the development of the business plan and "*the most significant external context to UR's work*". GNI (UK) is cognisant of the uncertainty that Brexit brings to the gas and electricity markets, particularly in relation to continued membership of the EU Internal Energy market by the UK, and suggests that UR considers the potential specific impacts of Brexit on the NI gas market in 2019-2020. In this regard, GNI (UK) is supportive of UR's work to date with the Department for the Economy (DfE) and the Department of Business, Energy and Industrial Strategy (BEIS) to advance Brexit preparations.

¹ Available at: <https://www.uregni.gov.uk/publications/draft-forward-work-programme-2019-20>

² Available at: <https://www.uregni.gov.uk/news-centre/draft-corporate-strategy-2019-2024-published>

Supporting Renewables

The focus on utilising innovative technologies to support the growth of renewables in the EU's Clean Energy Package is noted as important in this Business Plan. The Draft FWP notes that key questions going forward concern: 1) renewables targets in NI beyond 2020; 2) how additional renewable generation can be accommodated on the system; and, 3) the challenge of funding renewables in the least cost way, while providing opportunities to support new technologies.

GNI (UK) believes that decarbonisation in NI cannot be achieved without the use and development of gases, including renewable gases, and leveraging the already established gas network. While the Draft FWP does include a specific project on Biogas injection into the Grid (Project Ref. 9 under Strategic Objective 2), further details on plans for decarbonising technologies to be developed and adopted would be welcomed. In particular, GNI (UK) suggests that consideration should be given to the role that gas can play in freight/ transportation in NI.

In the context of supporting renewables, GNI (UK) considers the development of a reliable method of tracing and verifying renewable gas origin to be important, in order to provide confidence to consumers (particularly industrial users) that the gas consumed is renewable and can be accounted for in relation to emission reduction targets. Various studies are being undertaken at EU level at present, in terms of proposals and recommendations for an EU wide Guarantee of Origin (GO) scheme, to allow cross border trading of GOs for both renewable and decarbonised gases (including the joint study by ENTSOG and GIE). UR may wish to consider supporting the development of a GO scheme in NI to facilitate and promote the uptake of renewable biomethane.

Security of Supply

GNI (UK) welcomes the recognition in the Draft FWP of the importance of security of supply of the NI gas network, and *"finalising a transportation agreement to facilitate a reliable supply"*. As UR are aware, GNI (UK) is actively engaging with Premier Transmission Limited (PTL) to deliver continued access to GB gas supply for NI post 2021, when the existing contractual arrangements are due to expire. In the broader and longer-term context, to ensure continued security of supply, adequate allowances in the Price Control are required, to enable operators such as GNI (UK) to maintain their assets and ensure sustained efficient operation.

Energy Transition

GNI (UK) welcomes the recognition in the Draft FWP of the importance of *"energy transition"* centred on decarbonisation and technological change. In particular, GNI (UK) welcomes UR's reinforcement of the need to *"adapt to change (...) through innovation"*. GNI (UK) believes that greater synergies between gas and electricity should be examined and supported, to recognise and ensure the future role of gas in NI, as part of this energy transition. Doing so will support achievement of NI's climate goals in a sustainable, secure and affordable manner.

To this end, GNI (UK) encourages UR to advocate the significant role that the gas system can play in facilitating the development of renewable electricity generation and the electricity market in NI. As the regulatory authority of both the electricity and gas networks, UR has a key role in ensuring the

electricity and gas networks can play complementary roles in decarbonising NI's energy eco-system. In this regard, it is important to ensure gas continues to play a partnering role in ensuring the delivery of a sustainable future energy solution for NI. Greater co-ordination may increase the need for more effective communication between the Single Electricity Market (SEM) and the gas market, given the increasing amount of renewables in the market and the greater need for gas support.

Future Energy and Policy Strategy

In terms of future policy strategy, UR states *“major uncertainty that potentially impacts on our ability to deliver key outcomes is the continuing absence of a Northern Ireland Executive”* which *“will impact on the energy and water framework within which we operate”*.

GNI (UK) wishes to reiterate the importance of working towards the 2020 NI Energy Strategy with the DfE. GNI (UK) concurs with the view of UR that the new Strategic Energy Framework will need to *“provide direction on areas such as renewables (particularly in the context of the EU's Clean Energy Package), electricity and gas network infrastructure planning and the facilitation of new technologies (e.g. energy storage)”*. GNI (UK) looks forward to contributing to the 2020 NI Energy Strategy and will closely its impact on the gas market in NI.

2.2 Business Plan Project Selection and Resources

GNI (UK) welcomes UR's indication that: 1) a review of the longer-term UR Corporate Strategy; 2) consideration of projects that commenced in 2018-2019; 3) consideration of new work streams arising; 4) projects identified as desirable to undertake if resources allowed; and 5) the scope of UR's core business, have collectively contributed to the selection of the Business Projects for 2019-2020.

GNI (UK) considers the following list of criteria, on which project selection was based, to be comprehensive:

- (1) legislative or statutory requirements;
- (2) government policy requirements;
- (3) regulatory requirements; and
- (4) contribute to the delivery of our corporate strategy objectives.

2.3 List of Proposed Business Plan Projects

GNI (UK) welcomes the fact that the projects selected support achievement of the three Strategic Objective (SO) pillars in UR's Draft Corporate Strategy 2019-2024, as follows:

- SO 1:** Promoting Markets that deliver effective competition, informed choice and fair outcomes (*nine projects*);
- SO 2:** Enabling 21st century networks (*nine projects*); and
- SO 3:** Enabling security of supply and a low carbon future (*seven projects*).

Two additional projects are also listed under *“Corporate Projects and Objects”*. GNI (UK) wishes to provide some feedback, in the context of specific listed projects.

Projects under Strategic Objective 2

GNI (UK) wishes to comment on **Project Ref. 4**, concerning the planned development of *“annual cost and performance reports across all network companies to monitor the delivery of recent price controls and collect information necessary for future price controls”*. GNI (UK) acknowledges that increased market analysis/reporting requirements may assist UR in confirming that energy customers are being protected accordingly. It is important, however, to ensure that the level of analysis/reporting does not become a significant overhead on network operators/energy suppliers, in terms of generating and providing data/reports to UR. GNI (UK) would welcome engagement with UR in relation to the specific requirements for gas TSOs in NI in this regard.

In the context of **Project Ref. 5** (Review Network Price Control Approach), GNI (UK) is supportive of the UR in *“ensuring price controls comply with regulatory best practice”*. UR states that their *“aim over time is to reduce price control policy differences to those which reflect the different context and development of sectors, helping improve our ability to deliver value for consumers”*. On this point, GNI (UK) wishes to reiterate the importance of recognising the different contexts and developments across the utility sectors in its determination of price controls for each sector.

Moreover, in the context of any potential initiative introduced to benchmark utility companies (as alluded to in the UR Draft Corporate Strategy 2019-2024), it is important that any comparisons among utility companies are carefully considered. Benchmarking the performance of diverse subjects, such as gas transmission systems, is difficult where the size, design and capacity of each system differs, in addition to the different commercial and regulatory regimes in which they operate. GNI (UK) believes that it would be difficult to establish *“like-for-like”* comparisons, and that it would be more useful to review trends in terms of each individual company’s performance over time.

GNI (UK) considers the inclusion of a specific project on Biogas Injection into the Grid (**Project Ref. 9**: *“Review gas connection licence modification to ensure possible injection”*) to be a positive development, and would welcome further details on plans for this project.

Projects under Strategic Objective 3

Project Ref. 2 relates to *“completing arrangements to continue to provide access to the GB gas markets after 2021”*. In this regard, as UR are aware, GNI (UK) is actively engaging with Premier Transmission Limited (PTL) to deliver continued access to GB gas supply for NI post 2021, when the existing contractual arrangements are due to expire.

Project Ref. 7 centres on *“consideration of future energy change scenarios and planning regulatory requirements”* accordingly. In this vein, GNI (UK) reiterates the importance of considering the long-term supply-demand scenarios for gas (and electricity) in NI, and how future requirements will be met by existing infrastructure and relevant investments. Greater synergies between gas and electricity should be incorporated and supported in future energy scenarios, in order to ensure achievement of a robust and holistic decarbonisation solution. Gas can, and should, play a prevailing and definitive partnering role with electricity in ensuring achievement of a sustainable future energy solution for NI.

Projects under “Corporate Projects and Objectives”

Project Ref. 1 is focused on “*facilitating implementation of appropriate regulatory arrangements following on from the UK decision to leave the EU*”. To this end, GNI (UK) concur with UR about the need for a proactive approach in terms of establishing potential impacts of Brexit on the NI gas market in 2019-2020 and beyond and is willing to work collectively with UR and key stakeholders in this regard.

3. Conclusions

In summary, GNI (UK) would welcome further detail from UR in respect of the proposed projects outlined, as the Draft FWP is finalised.

In addition, GNI (UK) would also welcome consideration of the following, as UR finalises its FWP:

1. Ensuring the regulatory framework is appropriate to address the potential impacts of Brexit on the NI gas market in 2019-2020;
2. Consideration of additional detail in relation to the future role of gas and supporting renewables;
3. Ensuring the nature of reporting/market analysis does not create a significant overhead on network operators/energy suppliers; and
4. Ensuring that any potential initiatives around benchmarking of utility companies recognise the limitations of direct comparisons.

Finally, GNI (UK) wishes to reiterate the important role that gas and the existing gas infrastructure has to play in supporting renewables and the electricity market in Northern Ireland.